

Function 350: Agriculture

Function 350 includes farm income stabilization, agricultural research, and other services administered by the U.S. Department of Agriculture (USDA). The discretionary programs include: research, education, and rural development programs; economics and statistics services; meat and poultry inspection; and a portion of the Public Law (P.L.) 480 international food aid program. The mandatory programs include commodity programs, crop insurance, and certain farm loans.

Mandatory Spending

Farm Bill Programs — The Administration's budget cuts mandatory agriculture programs by \$9.4 billion over ten years (2007-2016) and \$5.2 billion over five years (2007-2011).

President's Budget Cuts Agriculture	Savings Over Ten Years (2007-2016)
Reduce all commodity payments to farmers by five percent	\$4.9 billion
Reduce crop insurance premium subsidies to farmers, lower reimbursement to insurance companies, and tie receipt of federal payments to the purchase of crop insurance	\$1.3 billion
Reduce payment limitation for all CCC commodity payments including marketing loan gains to \$250,000	\$1.2 billion
Cut spending on the dairy price support program, allow purchases only when reported prices are below the support rate	\$618 million
Implement a 3 cent per hundredweight assessment on milk marketings	\$578 million
Apply a 1.2 percent marketing assessment on sugar processors	\$364 million
Impose new user fees for GIPSA, APHIS, AMS, and crop insurance	\$492 million
Total Cut to Agriculture Programs	\$9.425 billion

The Administration claims that net cash farm income is close to record levels, and exports are strong and showing solid growth. But the rural economy is still struggling, commodity prices have been declining, and production in many areas has suffered from natural disasters and soaring energy costs. Farm Bill programs were trimmed by \$2.7 billion over five years under the Republican reconciliation spending bill, and the President's budget creates additional uncertainty in the homes, barns, and communities of America's ranchers and farmers.

Appropriated Programs

The President's budget provides \$5.6 billion for appropriated agriculture programs for 2007, which is a cut of \$455 million (7.5 percent) below the amount needed to maintain purchasing power at the 2006 level.

Animal and Plant Health Inspection Service (APHIS) — The budget provides a program level of \$1.1 billion for APHIS for 2007, which includes \$320 million for pest and disease exclusion, \$304 million for plant and animal health monitoring, and \$344 million for pest and disease management.

As in past years, the budget includes new user fees for animal welfare inspections, raising \$8 million in 2007.

Grain Inspection, Packers and Stockyards Administration (GIPSA) — The budget provides a program level of \$84 million for GIPSA for 2007, comprised of \$22 million in appropriated funding, \$42 million from existing user fees, and \$20 million from new user fees. As in past years, the budget assesses new user fees for grain standardization and Packers and Stockyards licensing activities.

Farm and Foreign Agricultural Services — The budget provides 2007 program levels of \$33.9 billion for the Farm Service Agency, \$4.2 billion for the Risk Management Agency, and \$5.3 billion for the Foreign Agriculture Service. The Farm Service Agency delivers farm credit, disaster assistance, commodity, and conservation programs, and provides administrative support for the CCC. The Risk Management Agency administers the federal crop insurance program, which protects producers against risks caused by natural disasters and price fluctuations. The Foreign Agriculture Service promotes U.S. exports, develops markets overseas, and fosters trade and economic growth in developing countries. It administers several international assistance programs, including P.L. 480, the Bill Emerson Humanitarian Trust, Food for Progress, the McGovern-Dole International Food for Education and Child Nutrition Program, and Section 416(b) Donations.

The budget imposes a new participation fee for insurance companies participating in crop insurance of one-half cent per dollar of premium sold. The new fee generates \$15 million per year.

Research, Education, and Economics — The budget includes program levels for 2007 of \$1.0 billion for the Agricultural Research Service; \$1.0 billion for the Cooperative State Research, Education, and Extension Service; \$83 million for the Economic Research Service; and \$153 million for the National Agricultural Statistics Service.

Function 370: Commerce and Housing Credit

Function 370 includes deposit insurance and financial regulatory agencies such as the Securities and Exchange Commission (SEC); the mortgage credit programs of the Department of Housing and Urban Development (HUD) and the Department of Agriculture (USDA); the Department of Commerce's Census Bureau, its business promotion programs, and its technology development programs; rural housing loans; the Small Business Administration's business loans; the Postal Service (USPS); and other regulatory agencies such as the Federal Communications Commission (FCC).

Commerce-related Programs

Increases Fees on Some Small Business Loans — The budget increases fees on Section 7(a) general business guaranteed loans greater than \$1 million in order to cover the administrative costs of the program, which is run by the Small Business Administration (SBA). This fee increase comes on top of a policy, first implemented in 2005 and continued in this budget, of providing no subsidy funding for Section 7(a) loans and requiring instead that the cost of potential defaults be covered entirely through fees. The budget provides a total Section 7(a) loan volume for 2007 of \$17.5 billion — a \$500 million increase from 2006 — but it raises costs for entrepreneurs.

Eliminates Microloans and a Variety of Other Aid to Small Businesses — The budget again zeroes out microloans, a program that will provide an estimated \$20 million in loans in 2006 mainly to low-income entrepreneurs. In addition to loan programs, SBA runs a number of activities such as business information centers, women's business centers, and technical assistance to help entrepreneurs. The budget provides a total of \$106 million for these activities for 2007, a reduction of \$20 million, or 16.1 percent, from the 2006 enacted level. Within the total, the budget eliminates funding for several activities, including microloan technical assistance.

Slashes Funding for the Manufacturing Extension Partnership — The budget provides \$46 million for the Manufacturing Extension Partnership, a 56.2 percent cut from the 2006 enacted level of \$105 million. This program, which also receives state, local, and private funding, provides information and consulting services to help small businesses adopt advanced manufacturing technologies and business practices that will help them compete in a global market. Funding for the program has fluctuated dramatically in recent years, going from \$106 million for 2003 to \$40 million for 2004, and back to \$108 million for 2005 and \$105 million for 2006 before the budget slashes funding once again for 2007.

Increases Patent and Trademark Office Operating Budget — The budget includes \$1.8 billion for Patent and Trademark Office operations, an increase of \$160 million (9.5 percent) above the 2006 enacted level.

Terminates the Advanced Technology Program — The budget ends the Advanced Technology Program, which provides assistance to U.S. businesses and joint ventures to improve their competitive position. The goal of the program is to accelerate the commercialization of technology that is risky to develop but promises significant national economic benefits. This program received \$79 million in 2006.

Mortgage Credit Programs

Provides New Mortgage Programs to Reduce Barriers to Homeownership — The budget includes two new products through the Federal Housing Administration (FHA) mortgage program. One allows first-time buyers with strong credit records to make a zero down payment and finance their closing costs. The other program, for buyers with limited or weak credit histories, initially charges a higher insurance premium but reduces the borrower's premiums once the borrower establishes a history of regular payments and demonstrates creditworthiness. In addition, the budget establishes risk-based pricing of FHA mortgage insurance premiums to decrease costs for safer borrowers. Currently, FHA mortgage insurance premiums do not vary according to a borrower's credit risk.

Increases Rural Housing Single-Family Direct Loans — The funding level in the budget for rural housing direct loans will support a loan volume of \$1.2 billion to 11,000 families through the USDA Section 502 single-family housing direct loan program. This loan volume is \$108 million (9.6 percent) above the 2006 level. This increase will barely keep up with rising costs – USDA anticipates housing costs will rise 10.0 percent in 2007. The budget increases the fee on Section 502 guaranteed loans from 2.0 percent to 3.0 percent and supports a loan volume of \$3.5 billion, up \$26 million from 2006. Guaranteed loans generally cost borrowers more than direct loans.

Converts Multifamily Rural Housing Loans from Direct to Guaranteed — The USDA Section 515 multi-family housing direct loan program will support a loan volume of \$99 million in 2006 for projects that serve low-income tenants – many of whom are elderly – in rural areas. The budget provides no resources for direct loans for 2007. Instead, it increases the loan volume for Section 538 multi-family housing guaranteed loans by \$99 million, to a total of \$198 million. Guaranteed loans, however, result in higher rents for tenants, because the costs to borrowers are generally higher for guaranteed loans than for direct loans. The Section 515 program currently provides housing for about 470,000 tenants. The President's budget is the first budget request since 1963 that has not included any money for Section 515 preservation and new construction projects.